

## PERSONAL SHAREHOLDER PROTECTION – LIFE OF ANOTHER

### How is the arrangement taxed?

#### Taxation of Plan Benefits

##### Capital Gains Tax (CGT)

- CGT will **NOT** apply.
- The proceeds of the personal shareholder protection arrangement payable on death are not liable to CGT under current legislation.

##### Inheritance Tax (CAT)

- Inheritance Tax will **NOT** apply.
- On death the proceeds of the plan are paid to the plan owner. Under current legislation there will be no inheritance tax liability for the surviving shareholder (the plan owner) provided he / she has paid the premium for the benefit they will receive.

#### Sale of the share in the partnership by the deceased's personal representatives

##### Capital Gains Tax (CGT)

- The proceeds from the sale of the share in the company **would be liable** to CGT in the hands of the personal representatives of the deceased. However a liability to tax would only arise on any increase in the value of the business from the date of death to the date of sale and, as such, is likely to be small. This should be set out in the legal agreement.

##### Inheritance Tax (CAT)

- The value received for the deceased shareholders share in the business could give rise to an inheritance tax liability for the deceased's family. As they are selling the share in the business 'Business Relief' from CAT **will not** apply.